

m/047/002

**From:** Wayne Hedberg  
**To:** LBRAXTON  
**Date:** Thursday, January 26, 1995 2:35 pm  
**Subject:** GEOKINETICS INC. -Reply -Reply

I SPOKE WITH MIKE LEKAS YESTERDAY AFTERNOON AND HE FILLED ME IN ON THE BACKGROUND BEHIND THE CASHING IN OF THE CD HELD BY STATE LANDS. HE IS NOW THE DIRECTOR OF GEOKINETICS AFTER RESIGNING AS PRESIDENT SOMETIME LATE LAST YEAR. HE INDICATED THAT 6-7 MONTHS AGO GEOKINETICS SWITCHED HATS AND DIVESTED THEMSELVES FROM THE OIL SHALE BUSINESS AND ARE NOW PRINCIPALLY OWNED AND COMPOSED OF OIL AND GAS COMPANY ASSETS. THEY APPARENTLY ACQUIRED/PURCHASED THE ASSETS OF AN OIL AND GAS COMPANY IN TEXAS AND RESTRUCTURED THEMSELVES. THE NEW PRESIDENT'S NAME IS JAY HABER (HOUSTON, TEXAS). MR. HABER WAS INVOLVED WITH THE TRANSFER OF ALL OF GEOKINETICS C.D.'S AND SIMILAR CORPORATE INVESTMENTS WHICH WERE THEN APPARENTLY CASHED OUT TO COVER THE COMPANY'S LEASE OBLIGATIONS. THE UTAH CD WAS HELD BY AMERICAN INVESTMENT BANK (SLC BANK) PRIOR TO THEIR RELEASING IT BACK TO GEOKINETICS. MR. LEKAS WAS ALSO SURPRIZED THAT THE BANK RELEASED THE CD, BECAUSE IT SUPPOSEDLY REQUIRED TWO SIGNATURES (THEIR'S AND STATE LANDS?).

MR. LEKAS INDICATED THAT A SIGNIFICANT PORTION OF THE SITE DEMOLITION AND REGRADING WORK HAS BEEN PERFORMED ON THE SEEP RIDGE SITE. HE WOULD LIKE US TO CONSIDER A CORRESPONDING REDUCTION IN THE AMOUNT OF REQUIRED RECLAMATION SURETY. HE HAS BEEN EVALUATING A RECLAMATION BOND ESTIMATE ORIGINALLY PREPARED BY PAM LITTIG FOR THE SITE AND WILL BE SENDING IT TO US SHOWING THE WORK THEY HAVE PERFORMED TO DATE. THEY HOPE TO FINISH ALL REMAINING SITE RECLAMATION THIS YEAR (EXCEPT COUNTY ROAD ACCESS). HE SAID HE HAD SPOKEN WITH THE HOUSTON PEOPLE AND THAT THEY MAY NOT BE IN A POSITION TO REPLACE THE SURETY UNTIL SOMETIME IN MID-FEBRUARY.

I INFORMED HIM THAT EVEN THOUGH THE SITE WAS INACTIVE, THAT THEY WERE IN NON-COMPLIANCE WITH THE ACT AND RULES NOW THAT THE SURETY WAS NO LONGER IN EFFECT. I ASKED HIM TO GET US A LETTER BY THE END OF THE WEEK INFORMING US IN WRITING WHAT HAS HAPPENED AND HOW THEY PROPOSE TO RECTIFY THE SITUATION. I ALSO INFORMED HIM IT MAY BE DIFFICULT FOR US TO GET STAFF DOWN TO THE SITE IN THE IMMEDIATE FUTURE TO PERFORM AN INSPECTION TO ASSESS THE APPROPRIATE AMOUNT OF BOND REDUCTION. ONCE WE RECEIVE HIS LETTER, I WILL DRAFT A RESPONSE LETTER OUTLINING TIMEFRAMES FOR SUBMITTAL OF A REPLACEMENT SURETY. I FAXED HIM A SURETY BOND FORM, AND SENT RECLAMATION CONTRACT, GUIDELINES AND RULES BY MAIL. I WILL KEEP YOU ADVISED.

**COPIED TO MINE FILE.**

**CC:** JBLAKE, TGALLEGOS